UNITED
NATIONS

TD

United Nations
Conference
on Trade and
Development

Distr.
LIMITED

TD/B/WG.7/L.4
6 July 1995

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Ad Hoc Working Group on the Role
of Enterprises in Development
Second session
Geneva, 3 July 1995

Draft conclusions and recommendations

The Ad Hoc Working Group on the Role of Enterprises in Development met in two sessions (first session, 3 - 7 April, and second session, 3 - 7 July 1995) in order to undertake the work entrusted to it, as specified in its terms of reference adopted by the Trade and Development Board in decision 415 (XL) (see annex II). Having concluded its work at the second session, the Ad Hoc Working Group adopted the following conclusions and recommendations:

1. Expresses its appreciation to the Governments which have submitted valuable presentations on the experiences of their countries concerning the development of entrepreneurship and enterprises, particularly SMEs;

2. Expresses its thanks to the expert panellists for their important contributions to the work of the Ad Hoc Working Group, as well as for their useful written contributions;

3. Expresses its appreciation to the secretariat for the high-quality documentation submitted to the Ad Hoc Working Group on the substantive items considered at its two sessions, as well as for the useful summaries of the discussions held at the two sessions;

4. Welcomes the rich and constructive exchanges which took place in the first SME-focused intergovernmental process of its kind, which allowed the Ad Hoc Working Group to draw lessons and gain insights from national experiences on the four substantive topics before the Ad Hoc Working Group -- enabling

environment for entrepreneurial and enterprise development, the role of SMEs in export development, financing needs and problems of SMEs, and policy-related technical cooperation for strengthening the role of SMEs -- and to identify "best practices" and other policy elements at the national and international levels that can serve to enhance the role of SMEs in the development process, as reflected in the summaries prepared by the secretariat (see annex I);

5. Welcomes the consensus reached on the important role of SMEs in the development process and the need to provide a supportive infrastructure for SME development, including inter alia:

- The establishment of favourable macroeconomic conditions and a sound policy and commercial framework for business development, resource mobilization, financial institutional development and the promotion of long-term lending for enterprise development;

- Policy and support measures to enhance the availability and efficient utilization of essential inputs of SMEs, including finance, market information and training, as well as to strengthen enterprise capabilities and linkages in order to facilitate the development of enterprises and their expansion into export markets;

- The promotion of various types of financial institutions, including community-based banks, taking into account the importance of personal contact in mobilizing domestic savings, as well as of a dialogue among policy-makers, development banks and other financial institutions and SMEs; and

- Technical cooperation in support of policy development, institution building and inter-firm cooperation for enhancing the role of SMEs in the development process.

6. Recommends that technical cooperation be continued and strengthened by both multilateral and bilateral support for SME development and for their role in trade development, including in the following areas: policy and commercial framework for enterprise development; institutional support for SME development; promotion of inter-firm linkages and modernization of SMEs, including the improvement of marketing capabilities; and regional cooperation on SME development, including networking of SME support agencies;

7. Notes that item 3 of the provisional agenda for UNCTAD IX deals specifically with "Promoting enterprise development and competitiveness in developing countries and countries in transition";

8. Suggests that the following topics are worthy of further analysis and study:

(a) Nature and causes of market imperfections which inhibit the viable development of SMEs;

(b) Cost and benefit analysis of incentive structures and programmes, such as policy-based lending and credit guarantees, for SME development, including their budgetary impact;

(c) Effectiveness of different types of technical cooperation activities for SME development in the light of experiences gained and the views of recipient countries and enterprises;

(d) Improvement and diversification of the financial sector in order to promote enterprise development;

(e) Facilitation of inter-firm linkages, inter alia, through networking and promotion of standards for information exchange.

9. Considers that the results of the work of the Ad Hoc Working Group, as reflected in its final report and in the report on its first session, provide useful inputs for the preparatory process for UNCTAD IX;

10. Decides to transmit its final report to the Trade and Development Board at its special session for consideration, including the question of any institutional follow-up.